

Grand Colorado on Peak 8 Owners Association Inc.

Financial Report

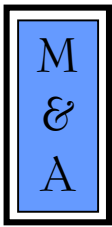
December 31, 2020 and 2019



**Grand Colorado on Peak 8 Owners Association Inc.
(A Colorado Non-Profit Corporation)
December 31, 2020 and 2019**

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Grand Colorado on Peak 8 Owners Association Inc.
Breckenridge, CO**

Report on the Financial Statements

We have audited the accompanying financial statements of Grand Colorado on Peak 8 Owners Association Inc. (the "Association"), a Colorado non-profit corporation, which comprise the balance sheets as of December 31, 2020, and the related statements of revenues, expenses, and changes in fund balances, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibilities

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Grand Colorado on Peak 8 Owners Association Inc. as of December 31, 2020, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Member: American Institute of Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT
To the Board of Directors
Grand Colorado on Peak 8 Owners Association Inc.
Breckenridge, CO

Emphasis of Matter

As discussed in Notes 6 and 10 to the financial statements, the Association adopted Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09), and all subsequent amendments, in 2020. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule on page 14 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information, except for that portion marked "unaudited", on which we express no opinion, is fairly stated in all material respects in relation to the financial statements as a whole.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Future Major Repairs and Replacements on pages 15 – 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Summarized Comparative Information

We have previously audited the Association's December 31, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 30, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
May 4, 2021

Grand Colorado on Peak 8 Owners Association Inc.
(A Colorado Non-Profit Corporation)
Balance Sheets
December 31, 2020
(With Comparative Totals for 2019)

	2020			2019	
	Operating Fund	Common Reserve Fund	Unit Reserve Fund	Total	Total
Assets:					
Cash in banks	4,895,308	402,259	386,484	5,684,051	2,504,004
Investments	-	290,356	278,969	569,325	754,796
Member assessments receivable (net of allowance for doubtful accounts of \$86,830 in 2020 and \$42,867 in 2019)	118,174	-	-	118,174	67,871
Accrued interest receivable	-	-	-	-	2,902
Accounts receivable - Other	26,529	-	-	26,529	29,517
Unit supplies inventory	68,957	-	-	68,957	29,024
Prepaid expenses	73,155	-	-	73,155	13,070
Due from (to) Gold Point	491	-	-	491	261
Due from (to) Grand Timber Lodge	1,196	-	-	1,196	441
Due from (to) Grand Lodge on Peak 7	1,473	-	-	1,473	-
Due from (to) other funds	(2,175,703)	855,284	1,320,419	-	-
Fixed assets (net of accumulated depreciation of \$54,661 in 2020 and \$23,957 in 2019)	121,442	-	-	121,442	50,372
Total Assets	<u>3,311,022</u>	<u>1,547,899</u>	<u>1,985,872</u>	<u>6,664,793</u>	<u>3,452,258</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	183,102	-	-	183,102	62,887
Accounts payable - Other	-	89,629	-	89,629	-
Deferred assessment revenue	191,831	-	-	191,831	116,403
Property taxes payable	906,201	-	-	906,201	540,255
Due to (from) Grand Lodge on Peak 7	-	-	-	-	21,470
Due to (from) Management Companies	133,021	-	-	133,021	338,225
Reserve study payable	3,000	-	-	3,000	2,000
Total Liabilities	<u>1,417,155</u>	<u>89,629</u>	<u>-</u>	<u>1,506,784</u>	<u>1,081,240</u>
Fund Balances (Deficit)	<u>1,713,867</u>	<u>1,458,270</u>	<u>1,985,872</u>	<u>5,158,009</u>	<u>2,371,018</u>
Total Liabilities and Fund Balances (Deficit)	<u>3,131,022</u>	<u>1,547,899</u>	<u>1,985,872</u>	<u>6,664,793</u>	<u>3,452,258</u>

The accompanying notes are an integral part of these financial statements.

Grand Colorado on Peak 8 Owners Association Inc.
(A Colorado Non-Profit Corporation)
Statements of Revenues, Expenses and Changes in Fund Balances
For the Year Ended December 31, 2020
(With Comparative Totals for 2019)

	2020			2019	
	Operating Fund	Common Reserve Fund	Unit Reserve Fund	Total	Total
Revenues:					
Assessments, net of discounts	10,007,006	972,875	827,833	11,807,714	7,092,102
Developer subsidy	257,058	-	-	257,058	130,000
Developer stop gap	85,575	-	-	85,575	-
Interest income	1,927	31,978	30,725	64,630	91,638
Late fee revenue	103,242	-	-	103,242	95,298
Ski locker income	6,429	-	-	6,429	5,250
Natural gas reimbursement	61,656	-	-	61,656	13,817
Exchange resort fee	33,815	-	-	33,815	20,641
Rental resort fee	434,711	-	-	434,711	64,212
DIL Income	3,273	-	-	3,273	-
Miscellaneous income	12,964	-	-	12,964	29,094
Total Revenues	11,007,656	1,004,853	858,558	12,871,067	7,542,052
Expenses:					
Accounting fees and I.T.	-	-	-	-	237,654
Activities	65,994	-	-	65,994	27,516
Assessment servicing fees	63,062	-	-	63,062	54,425
Bad debt expense	69,874	-	-	69,874	46,951
BMMA dues	7,907	-	-	7,907	3,138
Board and annual meetings	633	-	-	633	14,334
Cable TV	27,916	-	-	27,916	18,371
Cell booster	31,362	-	-	31,362	-
Common area amenities	157,133	-	-	157,133	134,442
COVID equipment	196,210	-	-	196,210	-
COVID safety	78,986	-	-	78,986	-
Credit card fees	53,703	-	-	53,703	44,830
Depreciation	30,704	-	-	30,704	14,866
Dues and subscriptions	22,513	-	-	22,513	-
Elevator maintenance	53,770	-	-	53,770	45,017
Employee housing reimbursement	72,096	-	-	72,096	-
Engineering	957,638	-	-	957,638	777,299
Fire alarm maintenance	12,605	-	-	12,605	11,436
Front desk fees	-	-	-	-	700,737
Guest services	871,025	-	-	871,025	-
Hot tub and pool maintenance	49,647	-	-	49,647	43,034
Housekeeping	2,098,490	-	-	2,098,490	1,647,569
HR fees	-	-	-	-	269,456
Income tax expense	116	-	-	116	-
Insurance	270,185	-	-	270,185	103,656
Landscaping	15,915	-	-	15,915	11,917
Management fee	1,233,660	-	-	1,233,660	181,458
Operations	209,984	-	-	209,984	189,344
Owner relations fee	760,812	-	-	760,812	-
Printing and key fobs	62,897	-	-	62,897	32,156
Professional fees	12,080	-	-	12,080	11,052
Property tax expense	871,286	-	-	871,286	540,255
Reservation fees	0	-	-	-	328,246
Security	139,783	-	-	139,783	111,442
Short term rental tax	500	-	-	500	9,975
Snow removal	31,990	-	-	31,990	11,211
Stable lot rent	209,824	-	-	209,824	-
Sustainability	-	-	-	-	12,216
Trash removal	41,167	-	-	41,167	29,639
Truck lease	-	-	-	-	13,123
Unit electric	356,411	-	-	356,411	212,322
Unit gas	247,376	-	-	247,376	137,555
Unit telephones	5,765	-	-	5,765	4,754
Unit wi-fi	48,891	-	-	48,891	40,701
Water and sanitation	207,735	-	-	207,735	119,166
Common reserve - Building exterior	-	99,855	-	99,855	53,989
Common reserve - Common area finishes	-	137,887	-	137,887	6,487
Common reserve - Mechanical systems	-	818	-	818	5,667
Common reserve - Future equipment	-	89,629	-	89,629	-
Unit reserve - Furniture	-	-	76,761	76,761	11,312
Unit reserve - Finishes	-	-	9,068	9,068	-
Unit reserve - Appliances	-	-	19,794	19,794	42,675
Unit reserve - Inventory replacement	-	-	2,619	2,619	-
Total Expenses	9,647,645	328,189	108,242	10,084,076	6,311,393
Excess (Deficiency) of Revenues Over Expenses	1,360,011	676,664	750,316	2,786,991	1,230,659
Beginning Fund Balances (Deficit)	353,856	781,606	1,235,556	2,371,018	1,140,359
Ending Fund Balances (Deficit)	1,713,867	1,458,270	1,985,872	5,158,009	2,371,018

The accompanying notes are an integral part of these financial statements.

Grand Colorado on Peak 8 Owners Association Inc.
(A Colorado Non-Profit Corporation)
Statements of Cash Flows
For the Year Ended December 31, 2020
(With Comparative Totals for 2019)

	2020			2019	
	Operating Fund	Common Reserve Fund	Unit Reserve Fund	Total	Total
Cash Flows From Operating Activities:					
Cash received from assessments	10,094,682	972,875	827,833	11,895,390	7,145,571
Interest received	4,829	1,618	1,555	8,002	16,066
Cash received from other sources	892,208	-	-	892,208	263,014
Cash transfers from (to) other funds	1,451,004	(538,964)	(912,040)	-	-
Cash payments for goods and services	(8,907,522)	(238,560)	(108,242)	(9,254,324)	(5,711,009)
Cash paid for property taxes	(504,456)	-	-	(504,456)	(445,509)
Net Cash Provided (Used) By Operating Activities	<u>3,030,745</u>	<u>196,969</u>	<u>(190,894)</u>	<u>3,036,820</u>	<u>1,268,133</u>
Cash Flows From Investing Activities:					
Purchases of investments	-	(282,600)	(502,400)	(785,000)	(735,000)
Sales and redemptions of investments	-	370,800	659,200	1,030,000	490,000
Transfer of investment allocation	-	(76,470)	76,471	1	(1)
Purchase of equipment	(101,774)	-	-	(101,774)	-
Net Cash Provided (Used) by Investing Activities	<u>(101,774)</u>	<u>11,730</u>	<u>233,271</u>	<u>143,227</u>	<u>(245,001)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,928,971	208,699	42,377	3,180,047	1,023,132
Cash and Cash Equivalents - Beginning of Year	1,966,337	193,560	344,107	2,504,004	1,480,872
Cash and Cash Equivalents - End of Year	<u>4,895,308</u>	<u>402,259</u>	<u>386,484</u>	<u>5,684,051</u>	<u>2,504,004</u>
Reconciliation of Excess (Deficiency) of Revenues Over Expenses to Net Cash Provided (Used) by Operating Activities:					
Excess (deficiency) of revenues over expenses	1,360,011	676,664	750,316	2,786,991	1,230,659
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided (used) by operating activities:					
Depreciation	30,704	-	-	30,704	14,866
Unrealized (gain) loss on investments	-	(30,360)	(29,170)	(59,530)	(72,670)
(Increase) decrease in assessments receivable	(94,266)	-	-	(94,266)	(36,948)
Increase (decrease) in allowance for doubtful accounts	43,963	-	-	43,963	25,678
(Increase) decrease in accrued interest	2,902	-	-	2,902	(2,902)
(Increase) decrease in other receivables	2,988	-	-	2,988	(33,195)
(Increase) decrease in inventory	(39,933)	-	-	(39,933)	(4,405)
(Increase) decrease in prepaid expenses	(60,085)	-	-	(60,085)	(5,344)
Cash transfers from (to) other funds	1,451,004	(538,964)	(912,040)	-	-
Increase (decrease) in accounts payable	120,216	-	-	120,216	4,978
Increase (decrease) in other payables	-	89,629	-	89,629	-
Increase (decrease) in deferred assessment revenue	75,428	-	-	75,428	(4,880)
Increase (decrease) in property taxes payable	365,946	-	-	365,946	94,746
Increase (decrease) in due to related parties	(229,133)	-	-	(229,133)	57,550
Increase (decrease) in income taxes payable	1,000	-	-	1,000	-
Total Adjustments	<u>1,670,734</u>	<u>(479,695)</u>	<u>(941,210)</u>	<u>249,829</u>	<u>37,474</u>
Net Cash Provided (Used) By Operating Activities	<u>3,030,745</u>	<u>196,969</u>	<u>(190,894)</u>	<u>3,036,820</u>	<u>1,268,133</u>

The accompanying notes are an integral part of these financial statements.

Grand Colorado on Peak 8 Owners Association Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2020

1. Organization

Grand Colorado on Peak 8 Owners Association Inc., (the "Association") is a condominium association organized as a Colorado non-for-profit corporation for the purposes of maintaining and preserving common property of the Association. The Association, which is located in Breckenridge, Colorado, was incorporated on May 30, 2014. The Association began operations on January 1, 2017.

The property was developed by the Declarant, Peak 8 Properties, L.L.C. In accordance with the Association's declarations and the provisions of the Colorado Common Interest Ownership Act, the period of Declarant control commenced upon filing the Articles of Incorporation and terminates when one of the following events occur:

- a. Sixty days after conveyance of 75% of the units that may be created to owners other than the Declarant;
- b. Two years after the last conveyance of a unit by a Declarant in the ordinary course of business;
- c. Two years after any right to add new units was last exercised,

The Association remained under Declarant control at December 31, 2020.

At December 31, 2020, the Association consisted of 268 units, which included 253 timeshare units and 15 commercial units, representing the maximum number of units permitted in the Association's declarations.

2. Summary of Significant Accounting Policies

A. Fund Accounting

The Association uses fund accounting, which requires that funds be classified separately for accounting and reporting purposes.

As of December 31, 2020, the Association had the following funds:

Operating – Disbursements from this fund are generally at the discretion of the Board of Directors (the "Board") and the property manager.

Common Reserve – Disbursements from this fund generally may be made only for designated purposes.

Unit Reserve – Disbursements from this fund are designated for the replacement of unit furniture.

B. Investment Income Allocation

Interest income is recorded in the fund holding the underlying source of investment income.

Grand Colorado on Peak 8 Owners Association Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2020

2. Summary of Significant Accounting Policies (continued)

C. Recognition of Assets

The Association recognizes as assets on its financial statements:

- (a) common personal property and;
- (b) common real property to which it has title and that it can dispose of for cash, while retaining the proceeds thereto.

These assets are recorded at cost and are depreciated using the straight-line method over estimated useful lives of five years.

D. Basis of Accounting

These financial statements have been prepared on the accrual basis of accounting which recognizes revenues when assessed or earned and expenses when incurred.

E. Cash and Cash Equivalents

All checking and money market savings accounts are considered cash equivalents by the Association for the purpose of the Statement of Cash Flows since all funds are highly liquid with no stated maturities.

F. Investments

The Association has invested certain excess funds in certificates of deposit. Because these certificates of deposits are intended to fund Replacement Fund expenditures and may provide a ready source of cash when so required, these investments are classified as trading. Accordingly, these investments are reported on these financial statements at fair value, and all realized and unrealized gains and losses are included in current year earnings.

G. Revenues and Revenue Recognition

Common assessments are the primary source of revenue for the Association. The Board, together with the Managing Agent, prepares an annual budget to estimate the annual expenses of maintaining the Association's common elements. On an annual basis, members of the Association are assessed for their respective pro-rata share of these estimated expenses.

The Association has determined that the relationship of the members to the Association is not that of a customer as defined in generally accepted accounting principles, since the members control the governance of the Association, and it is not possible to separate the members from the Association itself. Further, the nature of the Association's governing documents as it relates to the billing and collection of member assessments does not meet the definition of a contract under generally accepted accounting principles. Consequently, all assessment revenues are recognized as revenue by the Association when levied, as determined by the Board-approved annual budget.

The Association also recognizes revenues from various administrative fees and fines as earned upon provision of the underlying goods or service. All such revenues are non-refundable.

Grand Colorado on Peak 8 Owners Association Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2020

2. Summary of Significant Accounting Policies (continued)

G. Revenues and Revenue Recognition (continued)

Since the Association is designed only to operate as a conduit to collect assessments and pay operating expenses on behalf of members, any excess or deficiency of revenues over expenses is repaid to or recovered from the members in a subsequent year by reducing or increasing assessments or, with approval of the membership, transferred to the Replacement Fund.

H. Due To/From Other Funds

The Association has chosen to record all accounts receivable and accounts payable in the Operating Fund. In accordance with generally accepted accounting principles, the differences in the individual funds caused by this accounting policy results in interfund asset and liability accounts on the financial statements.

I. Allowance for Uncollectible Accounts – Assessments

The Association utilizes the allowance method of recognizing the future potential uncollectibility of owner assessments receivable. This reserve is calculated based on the estimated percentage of potentially uncollectible accounts 90 or more days overdue. The Association's policy is to charge late fees to owner accounts that are 60 or more days overdue. For the year ended December 31, 2020, the Association incurred \$69,874 in bad debt expense and wrote off accounts totaling \$25,911 (net of recoveries). For the year ended December 31, 2019, the Association incurred 46,951 in bad debt expense and wrote off accounts totaling \$21,273 (net of recoveries).

J. Inventory

Housekeeping supply inventory is valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The cost of inventory is recorded as an expense when consumed rather than when purchased.

K. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

L. Deferred Assessment Revenue

Deferred revenue represents prepaid assessments, and is composed of payments received in advance of the assessment billings of the next fiscal year.

M. Subsequent Events

Management has evaluated subsequent events through May 4, 2021, the date these financial statements were available to be issued.

Grand Colorado on Peak 8 Owners Association Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2020

3. Income Taxes

While the Association has been organized under Colorado non-profit statutes as a corporation without capital stock or shareholders, the Association is not a tax-exempt organization. Consequently, the Association is subject to Federal and state income taxes on net income derived from investments and other non-membership sources.

The income tax returns of the Association are subject to examination by the Internal Revenue Service and the Colorado Department of Revenue. The Association's returns are not subject to examination for tax years three years prior by the Internal Revenue Service and for tax years for four years prior by the Colorado Department of Revenue. The Association submitted an initial tax return for the year ending December 31, 2017.

4. Investments

The Association's investments were comprised of the following certificates of deposit at December 31, 2020.

	12/31/20	12/31/19
Certificates of deposit, maturing within one year, bearing interest at 2.30% per annum	\$ -	245,745
Certificates of deposit linked to the Dow Jones Industrial Average, maturing on January 3, 2024	\$ 273,925	249,026
Certificates of deposit linked to the Standard and Poor's 500 index, maturing on January 6, 2025	295,400	260,025
Total Investments	\$ 569,325	754,796

Included in the Association's investment income for the fiscal year ending December 31, 2020 and December 31, 2019 are unrealized gains (losses) totaling \$59,530 and \$72,670, respectively.

5. Fixed Assets

Fixed assets are summarized below:

Description	12/31/20	12/31/19
Equipment	\$ 146,889	\$ 45,115
Vehicles	29,214	29,214
Less: Accumulated depreciation	(54,661)	(23,957)
Net Fixed Assets	\$ 121,442	\$ 50,372

Depreciation expense is computed on a straight-line basis and was \$30,704 and \$14,866 for the years ended December 31, 2020 and 2019.

Grand Colorado on Peak 8 Owners Association Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2020

6. Revenue from Contracts with Customers

For the year ended December 31, 2020, revenue recognized for goods transferred or performance obligations met at a point in time were \$12,871,067. There were no revenues recognized for goods transferred or performance obligations met over time during 2020. Revenues may be affected by general economic conditions and inflationary pressures. Revenues are primarily collected from members of the Association.

7. Significant Agreements and Transactions

On January 1, 2018, Peak 8 Properties, L.L.C. entered into an agreement with the Association to purchase all inventory units from the Association (which may be obtained as a result of foreclosure proceedings to collect past due assessments) for the consideration of payment of Association past dues, transfer costs, and any Association dues until resale and otherwise in accordance with the term and conditions of the agreement. This agreement may be terminated by either party by giving ninety days advance written notice. During the year ended December 31, 2020, the Association did not receive any amount from Peak 8 Properties, L.L.C. for the purchase of inventory units. At December 31, 2020, the Association did not own any inventory units.

The Association's Declarations requires all owners to be assessed based upon the number of units completed (239) at the start of the fiscal year. Based upon the budget approved by the board of directors, the owners (with the exception of the commercial units) are actually being assessed as if all units were completed for the common area and amenity expenses. Based upon the approved budget, Peak 8 Properties, L.L.C. has agreed to pay the difference in the form of a developer subsidy.

Peak 8 Properties, L.L.C. pays assessments relating to its owned unit weeks throughout the year. The Association earned \$4,875,165 of 2020 revenue from Peak 8 Properties, L.L.C through assessments. Peak 8 Properties, L.L.C's assessments excluded cleaning fees of \$352,291 related to services not incurred in unoccupied units. Peak 8 Properties, L.L.C contributed an additional \$342,633 to the Association to help fund operations during the year ended December 31, 2020. The Association earned 43% of its total 2020 revenue from Peak 8 Properties, L.L.C.

Effective August 15, 2015, the Association entered into an agreement with Breckenridge Grand Vacations ("Manager"), which is owned and operated by the Peak 8 Properties, L.L.C., to provide all services and personnel required to administer the affairs of the Association. The initial term of the management agreement was for 10 years. The management fee is equal to 2.5% of the Association annual budget during the initial two years, and after the initial two years will increase up to 5% at the beginning of each following annual budget year; provided, however, that in the event the Project is expanded to include additional phases four and five the annual management fee shall automatically be increased to 10% of the Association annual budget for any such budget year upon closing of the real property required for the additional phases four and five of the Project and shall thereafter increase up to 5% at the beginning of each following annual budget year; provided, however, in no event shall the management fee exceed 15% during the initial two years or any renewal term. After the initial term, the agreement automatically renews for five year periods, under the same terms and conditions as the original agreement, unless cancelled by either party. This agreement may be terminated by the Association for cause, as defined in the agreement. Breckenridge Grand Vacations may resign as manager with or without cause. However, Breckenridge Grand Vacations cannot resign until the Association obtains a substitute managing agent or until 180 days from the resignation notification date.

Grand Colorado on Peak 8 Owners Association Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2020

7. Significant Agreements and Transactions (continued)

During the year ended December 31, 2020, the Association incurred various expenses that were payable to Breckenridge Grand Vacations and Peak 8 Properties, L.L.C. (collectively referred to as "Management Companies"). The following is a schedule of transactions between the Association and the Management Companies for the year ended December 31, 2020.

	<u>2020</u>	<u>2019</u>
Accounting fees and I.T.	\$ -	\$ 237,654
Activities	65,994	27,516
Cleaning	2,098,490	1,647,569
Employee housing reimbursement	72,096	-
Engineering	957,638	777,299
Front desk and reservation fees	-	1,028,983
Guest services	871,025	-
HR fees	-	269,456
Management fees	1,233,660	181,458
Operations	209,984	189,344
Owner relations fee	760,812	-
Security	139,783	111,442
Total Expenses	<u>\$ 6,409,482</u>	<u>\$ 4,470,721</u>

Approximately 64% of the Association's total 2020 expenses were related to services provided by related parties. The net amount that the Association owed to related parties was \$133,021 at December 31, 2020 and \$338,225 at December 31, 2019.

On October 25, 2016, the Association entered into an agreement with Concord Servicing Corporation to perform billings of assessments. The initial term began from the date of the agreement and is automatically renewed for 12 month terms until written notice of termination. The fee may increase annually by 1.5 times the increase in the Consumer Price Index. For the years ended December 31, 2020 and 2019, the Association paid \$33,524 and \$32,819, respectively, for services provided by Concord Servicing Corporation.

8. Future Major Repairs and Replacements

The Association's governing documents require that funds be accumulated for future repairs, replacements and maintenance. Accumulated funds are held in separate money market accounts and are generally not available for expenses for normal operations.

The Association has an external reserve study performed every 5 years to update estimates for future repairs and replacements and maintenance. In addition to the formal study Management also performs an annual internal inspection to update these estimates.

Grand Colorado on Peak 8 Owners Association Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2020

8. Future Major Repairs and Replacements(continued)

During the fiscal year ended December 31, 2020, management performed an internal update of the most recent external Level I - Full Service Reserve Study, completed in 2016, to estimate the remaining useful lives and replacement costs of the components of common property. The Level I - Full Service Reserve Study ascertained replacement cost estimates from industry standard estimating manuals and based upon the engineering firm's experience with similar projects. The life expectancy of all components was ascertained from visual inspections made during the study. The tables included in the unaudited Supplementary Information on Future Major Repairs and Replacements are based on the study. The information has been broken down into common reserve and unit components of common property.

In accordance with industry guidelines, it is the Association's primary duty to maintain and preserve the common property of the owners. Therefore, it is the Association's responsibility to determine a method for funding the costs of future major repairs and maintenance by assessing owners for anticipated costs, and accumulating funds in reserve to meet the future funding requirements. The Board has chosen to fund major repairs and replacements over the remaining useful lives of the components, based on the study's estimates of current replacement costs and considering amounts previously accumulated in the Replacement Funds. Assessments of \$972,875 and \$827,833 for the Common Reserve Fund and the Unit Reserve Fund, respectively, were reported during the year ended December 31, 2020. Assessments of \$316,063 and \$548,099 for the Common Reserve Fund and the Unit Reserve Fund, respectively, were reported during the year ended December 31, 2019.

Funds being accumulated in the Common Reserve Fund and Units Reserve Funds are based on estimated costs for repairs and replacements of common property components. Actual expenditures and investment incomes may vary from the estimated amounts, and the variations may be material. Therefore, amounts accumulated may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

9. Concentration

The Association's cash balances held with financial institutions were insured by the Federal Deposit Insurance Corporation (the "FDIC") at December 31, 2020 up to \$250,000 per depositor at each separately chartered FDIC-member financial institution. At December 31, 2020, the Association's uninsured cash balances totaled \$2,900,163.

10. New Accounting Standard

Effective January 1, 2020, the Association implemented Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"), issued by the Financial Accounting Standards Board ("FASB"), and all subsequent amendments. ASU 2014-09 requires enhanced disclosures of the Association's revenue recognition policies. The implementation of ASU 2014-09 has been applied retrospectively to all periods presented, with no effect to net assets or previously issued financial statements.

Grand Colorado on Peak 8 Owners Association Inc.
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2020

11. Subsequent Event – New Management Agreement

On November 11, 2020, the Association entered into an amendment to the agreement with Breckenridge Grand Vacations (“Manager”), which is owned and operated by Peak 8 Properties, L.L.C. The amendment extends the initial term of the agreement through December 31, 2030 and will automatically renew for successive 5 year periods after the initial period.

Grand Colorado on Peak 8 Owners Association Inc.
(A Colorado Non-Profit Corporation)
Operating Fund
Budget (Non-GAAP Basis) to Actual Comparison
With Reconciliation to GAAP Basis
For the Year Ended December 31, 2020
(With Comparative Actual Amounts for 2019)

	2020		Variance Favorable (Unfavorable)	2019
	Budget (Unaudited)	Actual		Actual
Revenues:				
Assessments, net of discounts	10,247,577	10,007,006	(240,571)	6,227,940
Developer subsidy	348,624	257,058	(91,566)	130,000
Developer stop gap	85,575	85,575	-	-
Interest income	12,921	1,927	(10,994)	6,101
Late fee revenue	121,670	103,242	(18,428)	95,298
Ski locker income	30,000	6,429	(23,571)	5,250
Natural gas reimbursement	56,681	61,656	4,975	13,817
Exchange resort fee	24,160	33,815	9,655	20,641
Rental resort fee	188,073	434,711	246,638	64,212
Deed in lieu income	3,971	3,273	(698)	-
Miscellaneous income	81,505	12,964	(68,541)	29,094
Total Revenues	11,200,757	11,007,656	(193,101)	6,592,353
Expenses:				
Accounting fees and I.T.	-	-	-	237,654
Activities	107,062	65,994	41,068	27,516
Assessment servicing fees	128,774	63,062	65,712	54,425
Bad debt expense	95,524	69,874	25,650	46,951
BMMA Dues	27,919	7,907	20,012	3,138
Board and annual meetings	12,500	633	11,867	14,334
Cable tv	28,560	27,916	644	18,371
Cell booster	36,180	31,362	4,818	-
Common area amenities	152,726	157,133	(4,407)	134,442
COVID equipment	-	196,210	(196,210)	-
COVID safety	-	78,986	(78,986)	-
Credit card fees	96,225	53,703	42,522	44,830
Dues and subscriptions	32,140	22,513	9,627	-
Elevator maintenance	58,278	53,770	4,508	45,017
Employee housing reimbursement	72,096	72,096	-	-
Engineering	1,139,028	957,638	181,390	777,299
Fire alarm maintenance	15,227	12,605	2,622	11,436
Front desk fees	-	-	-	700,737
Guest services	901,848	871,025	30,823	-
Hot tub and pool maintenance	52,380	49,647	2,733	43,034
HR Fees	-	-	-	269,456
Income tax expense	-	116	(116)	-
Insurance	250,171	270,185	(20,014)	103,656
Keys, postage and printing	53,100	62,897	(9,797)	32,156
Landscaping	16,200	15,915	285	11,917
Management fee	1,233,657	1,233,660	(3)	181,458
Operations	250,387	209,984	40,403	189,344
Owner relations fee	760,812	760,812	-	-
Professional fees	27,787	12,080	15,707	11,052
Property tax expense	1,001,751	871,286	130,465	540,255
Reservation fees	0	-	-	328,246
Resort cleaning	2,869,385	2,098,490	770,895	1,647,569
Security	140,445	139,783	662	111,442
Short term rental tax	15,463	500	14,963	9,975
Snow removal	15,000	31,990	(16,990)	11,211
Stables lot rent	213,328	209,824	3,504	-
Sustainability	-	-	-	12,216
Trash removal	64,500	41,167	23,333	29,639
Truck lease	-	-	-	13,123
Unit electric	426,600	356,411	70,189	212,323
Unit gas	489,000	247,376	241,624	137,555
Unit telephones	6,600	5,765	835	4,754
Unit wi-fi	25,930	48,891	(22,961)	40,701
Water and sanitation	184,378	207,735	(23,357)	119,166
Total Expenses	11,000,961	9,616,941	1,384,020	6,176,398
Excess (Deficiency) of Revenue Over Expenses - Budget Basis		1,390,715		415,955
Adjustments to Budget Basis:				
Depreciation expense		(30,704)		(14,866)
Total Adjustments		(30,704)		(14,866)
Excess (Deficiency) of Revenues Over Expenses - GAAP Basis		1,360,011		401,089

The accompanying notes are an integral part of these financial statements.

Grand Colorado on Peak 8 Owners Association Inc.
(A Colorado Non-Profit Corporation)
Supplementary Information on Future Major Repairs and Replacements
Common Reserve Fund
December 31, 2020
(Unaudited)

During the fiscal year ended December 31, 2020, management performed an internal update of the most recent external Level I - Full Service Reserve Study, completed in 2016, to estimate the remaining useful lives and replacement costs of the components of common property. The Level I - Full Service Reserve Study ascertained replacement cost estimates from industry standard estimating manuals and based upon the engineering firm's experience with similar projects. The life expectancy of all components was ascertained from visual inspections made during the study.

The balance of the Common Reserve Fund at December 31, 2020, has not been designated by the Board for specific components of common property.

The following table is based on the study and presents significant information about the components of common property.

Components	Estimated Remaining Useful Lives (Years)	Estimated Future Replacement Costs	Components of Fund Balance at December 31, 2020
Amenity	0 - 30	\$1,833,524	
Aquatics	3 - 20	1,579,881	
Bellman	1 - 5	27,376	
Boilers	5 - 30	2,284,092	
Contingency	1 - 2	60,000	
Doors	3 - 25	3,489,367	
Electronics	4 - 15	92,322	
Elevators	12 - 30	4,816,019	
Equipment	0 - 14	376,454	
Flooring	0 - 20	851,706	
Furnishing	0 - 20	487,454	
Furnishings	3 - 10	151,541	
Housekeeping	0 - 10	60,493	
HVAC	4 - 30	1,665,843	
IT	1 - 8	269,187	
Lighting	2 - 20	841,754	
Paint	1 - 11	610,612	
Par	2 - 6	23,977	
Remodel	17 - 20	1,244,686	
Roof	1 - 26	2,342,488	
Safety	3 - 15	23,659	
Signs	20 - 30	466,968	
Stonework	7 - 10	87,769	
Theaters	2 - 17	524,125	
Trim	5 - 10	243,824	
Windows	3 - 30	8,335,735	
Total		32,790,856	1,458,270

The accompanying notes are an integral part of these financial statements.

Grand Colorado on Peak 8 Owners Association Inc.
(A Colorado Non-Profit Corporation)
Supplementary Information on Future Major Repairs and Replacements
Unit Reserve Fund
December 31, 2020
(Unaudited)

During the fiscal year ended December 31, 2020, management performed an internal update of the most recent external Level I - Full Service Reserve Study, completed in 2016, to estimate the remaining useful lives and replacement costs of the components of common property. The Level I - Full Service Reserve Study ascertained replacement cost estimates from industry standard estimating manuals and based upon the engineering firm's experience with similar projects. The life expectancy of all components was ascertained from visual inspections made during the study.

The balance of the Unit Reserve Fund at December 31, 2020, has not been designated by the Board for specific components of common property.

The following table is based on the study and presents significant information about the components of common property.

Components	Estimated Remaining Useful Lives (Years)	Estimated Future Replacement Costs	Components of Fund Balance at December 31, 2020
Appliance	1 - 29	\$628,297	
Contingency	1 - 2	50,000	
Doors	22 - 29	605,500	
Drywall	22 - 29	287,650	
Electrical	22 - 29	102,825	
Electronics	2 - 5	682,282	
Flooring	3 - 29	1,973,490	
Furnishing	1 - 29	5,894,829	
HVAC	12 - 29	1,407,500	
Insulation	22 - 29	95,640	
IT	5 - 6	236,125	
Labor	22 - 29	1,675,972	
Lighting	2 - 7	589,450	
Paint	22 - 29	372,500	
PAR	1 - 5	137,725	
Permit	22 - 29	202,400	
Plumbing	22 - 29	758,245	
Safety	7 - 10	64,750	
Trim	22 - 29	978,750	
Total		<u><u>\$16,743,930</u></u>	<u><u>1,985,872</u></u>

The accompanying notes are an integral part of these financial statements.